Massachusetts.
General Court.

Report of the hearing before the committee...

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REPORT OF THE HEARING

BEFORE THE

COMMITTEE ON EXPENDITURES

OF THE

GENERAL COURT OF MASSACHUSETTS,

ON THE SUBJECT OF

INCREASING THE TAX ON SAVINGS BANKS,

CONTAINING THE ARGUMENT OF

HON. FRANCIS E. PARKER,

WITH ADDITIONS,

THE EVIDENCE OF

OFFICERS OF THE SAVINGS BANKS,

AND THE

REPORT OF THE LEGISLATIVE COMMITTEE.

BOSTON:
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ARGUMENT.

Mr Chairman, and Gentlemen:

The subject referred to your committee is that part of the address of his Excellency, the Governor, which relates to Savings Banks. It is in these words: —

"The rate of taxation on deposits in these institutions is only about one half the average rate of the State. Owing to the great changes in our financial affairs, the drift of these institutions is to become ordinary money corporations, and it is questionable whether such a great relief from the public burdens is longer justifiable."

The Governor has correctly stated the purpose of the inquiry, to wit: whether the one hundred and thirty-six millions of dollars, now on deposit in the Savings Banks, bear their just share of the public burdens. To put the same question in other words, do the one hundred and thirty-six millions of dollars, which are placed in these banks by nearly four hundred and eighty-nine thousand persons, pay as large a tax, as the same money, invested in the same way, would pay, if it were in the hands of the several depositors?

I have said that the form in which this question has been put by his Excellency is correct; and I may add that the form of the question is also material. It admits that the tax which the State lays upon the Savings Banks is a *property* tax. The policy of the State is to tax these numerous small sums of money, which for purposes of convenience are collected in banks, no more, and no less, than they would tax the same small sums of money, if the depositors invested them in the same way, separately, instead of investing them collectively by their agents, the banks.

This is manifestly just; and this has always been the policy of the State; for until the year 1862, the tax was laid, not on the banks, but on the individual depositors. In that year, in order to insure greater certainty in the collection of the tax, and thus to secure a greater revenue, the tax was laid directly upon the corporations. The depositor pays nothing; the bank pays the tax for him. This makes the State sure that no depositor escapes; and saves the state the trouble of making out many thousands of tax bills. By one hundred and thirty-nine tax bills (one for each Savings Bank), all sure to be promptly collected, the State gets in this year more than a million of dollars.

Now the Governor was well aware, as all the gentlemen of the committee are aware, that, though it is the policy and purpose of the State to tax these collections of savings as *property*, yet the legal ground by which the tax is supported is as a tax on the *franchise.*

In point of law, the State has no right to tax the money of each depositor which is in the bank, at any different rate from that which it taxes the money of the non-depositor, which is in his pocket, or is employed in his business. Therefore, though it really intends the tax to be a property tax, and measures it accordingly, it supports it, when the question is raised in a court of law, as a *franchise* tax; a tax exacted from the banks, as the price of their corporate existence. The State sells the banks their charters — their right and franchise to be banks — for their annual payment of a sum of money. This has been decided by the Supreme Court in the cases *Commonwealth* v. *The Peoples' Five Cents Savings Bank*, 5 Allen, 428; *Commonwealth* v. *Provident Institution for Savings*, 12 Allen, 312.

But, however useful this may be when the subject comes into court as a question of *law*, no one yet has thought it worth considering as a question of *legislation*. In the legislature, the tax is always treated as a *property tax*, and it is now submitted

to you, as such, by the Governor. And for all purposes of legislation, this, which is the fair ground, is the strong ground. If you are to lay a tax on the franchise, what is the franchise worth? The bank neither discounts, nor has a circulation, nor creates stock. It can only receive certain limited savings, and let them out again, in a certain manner, as the statute permits. For this very limited privilege, and for the privilege of having a corporate existence and a common seal, the State would hardly charge them a million of dollars a year, — the sum which they are now paying. It is much firmer ground for the State to stand on, as well as fairer ground for the banks to stand on, to treat this question, for all purposes of legislation, as the Governor treats it, as a property tax. As such I shall now consider it; and if any person of a legal and ingenious mind is troubled to reconcile these two theories, I will suggest to him the usual answer, which seems to be as good as the doubt which it meets, namely, — that in estimating the value of the franchise of any corporation, for the purpose of fixing the just tax, it is customary and fair to take the value of the stock, and place upon that the usual tax laid on other property; and as the savings banks have no stock, but only deposits of money, which are in part exempted from taxation, the State takes the amount of these deposits, ascertains the rate at which they would be taxed, if not in the banks, and lays that rate of tax upon them, — thus measuring the value of the franchise.

Having thus endeavored to settle the principle on which the inquiry is to be conducted, let us return to the Governor's question: Do the deposits in the savings banks bear their fair share of taxation? Are the sums deposited taxed as much in the banks, as they would be, if the property in which they are now invested by the banks, were taxed as the property of the individual depositors?

The average rate at which property *subject to taxation* is assessed in the several cities and towns in this State, as ascertained

by the tax commissioner, for the past year, is $1\frac{544}{1000}$ per centum, or $15.44 on a thousand dollars. *This is the rate on property subject to taxation;* but some kinds of property, and the property of certain classes of persons, are exempt, and not taxable at all. The present statute rate of taxing the deposits in savings banks is three-quarters of one per cent, or $7.50 on a thousand dollars, which is laid in two equal assessments upon the average amount of deposits for six months next preceding the first day of May and the first day of November. This tax does not touch any surplus, if such exists, nor deduct any loss, if loss has been made.

The next question, then, is: Do the Savings Banks hold property exempted from taxation sufficient to make up the difference between these two rates of $7.50 and $15.44?

There are four principal classes of property exempt from taxation.

1. The bonds and securities of the United States.

2. "The property, to the amount of $500, of a widow or unmarried female, and of any female minor, whose father is deceased, if her whole estate, real and personal, not otherwise exempted from taxation, does not exceed in value the sum of $1,000." Gen. Stats. c. 11, sec. 5.

3. "The polls and any portion of the estates of persons who, by reason of age, infirmity and poverty, are, in the judgment of the assessors, unable to contribute fully towards the public charges." Gen. Stats. c. 11, sec. 5.

4. "The personal property of literary, benevolent, charitable and scientific institutions incorporated within this Commonwealth," and "the real and personal estate of incorporated agricultural societies." Gen. Stats. c. 11, sec. 5.

Of the first of these exempted classes, that is, United States bonds, the Savings Banks hold, according to the Commissioner's last report (p. 136), $23,170,799, or a little more than 17 per cent of their entire deposits. These being exempt, should be de-

ducted from the taxable property of the bank, which being done, raises the rate of the tax on the 83 per cent remaining to above $\frac{90\frac{1}{3}}{100}$ of one per cent. The banks also hold $1,392,513 in real estate. On this they are taxed twice: first, the usual rate by the several cities or towns; and second, the $\frac{75}{100}$ of one per cent by the State, as this real estate is an investment of the deposits. This amount is a little more than one per cent of the entire deposits; which raises the rate again to about $\frac{92}{100}$ of one per cent. To this is to be added the amount for which the depositors would be exempted, under the statute referred to, as the property of widows, unmarried females, female minors, of persons unable to contribute fully to the public charges, and of the institutions and societies before named. How large this amount is, it is impossible to prove; but it may be fairly taken to bring the rate quite up to the average rate of $15.44 on the $1,000, and, we think, very much beyond it.

Admitting, for the purpose of the present argument, that many persons of considerable property make deposits in the Savings Banks, there can be no doubt at all that the great proportion — the great majority — of the non-taxable classes make their whole investments in these banks. They are the treasury of this whole class. I make this statement in general terms, because no one will doubt it, and because it is sufficient for my present purpose. The particular instances of such deposits will be given by the officers of several banks in their statements which will follow. The only way in which we can get at these facts, which no published return will show, is from the personal knowledge of the officers of the banks; and as a single instance of the facts within the knowledge of such officers, allow me to repeat the statement of Mr. C. S. Adams, treasurer of the Framingham Savings Bank. He says of his bank, "It is located in a country town, with a sparse population, and with but few operatives. I presume that I know ninety out of every hundred of our depositors. I know the circumstances of

many of them — I know all about them. I have been at some pains to ascertain, as far as I could, the number of depositors who have $500 and upwards, whose deposit represents all, or substantially all, they have in the world. Of those that I know, I can count 186 unmarried females, who have all their property, so far as I know (and I think I know all about their circumstances), in that institution. There are 33 male depositors, having accounts of $500 and upwards, which is, I know, all they have in the world, — 33 who are incompetent to make their own investments, and it is all they have, — making 219 in all. Those 219 accounts are all of $500 and upwards; some six or seven of them are $1,000. . . . There may be many more single women and men who have all their property in our bank — I cannot say. These are the only ones with whose circumstances I am sufficiently familiar to make any statement which is satisfactory to my own mind."

Mr. Charles E. Symonds, treasurer of the Salem Savings Bank, says: "I defy any body of assessors to take our accounts and go through with them, and show that one-quarter part of our deposits are taxable under the general law."

Mr. C. J. Holmes, treasurer of the Fall River Five Cent Savings Bank, says: "Some few months ago, there was a strike in the mills at Fall River, and the help did not go into the mills for some two months. Of course, during the earlier part of the two months, as they were expecting to go in daily, very little was drawn from the bank; yet, during the two months that they were out of the mills, one-fifteenth of my entire deposits were withdrawn."

It will be enough for our present purpose not to go as far as Mr. Symonds goes; but to say that half of the deposits are exempt.

Beside this, the United States lay an annual tax of one-half per cent on every deposit which amounts to $500, first deducting United States Bonds; a tax which the depositor would escape

altogether, if he did not place his money in the bank; and this tax, during the last year, amounts to more than $258,000, — nearly $\frac{1}{5}$ of one per cent.

If these estimates are correct, the Savings Banks pay already to the State as high a rate as their depositors would pay. But this is not the whole strength of our argument; there is one other point which should not escape notice and consideration.

In laying a tax, the assessors never expect to reach all personal property. They well know that a large amount will escape their inquiries. Mr. David A. Wells, in one of his recent valuable publications, represents the amount of personal property which escapes taxation with the best assessors, and in the most honest community, as enormous, — so great, indeed, that he recommends raising our taxes by some other method.

But suppose it to be only 20 per cent, which, in Massachusetts, goes untaxed. The assessors of any town, at the beginning of the year, know just how many dollars they have to raise for that year; and if 20 per cent of the personal property is concealed and out of their reach, all they can do is to make their rate so much higher on what property they do know. If they have to raise a million of dollars for the year, and the personal property on which they ought to assess it is one hundred millions, they will make a rate of one per cent; but, if they can only get at eighty millions of this property, they must make their rate one and a quarter per cent, in order to raise their million. And this is, in fact, the way in which our present average rate of 15.44 on the thousand is made; it is made on the assumption, that the entire property will not be reached.

Now nothing can be more unfair, than to fix our rate a fourth higher, on the ground that we are to assess it on 80 per cent; and then to assess this rate on 100 per cent. It is hard enough when an honest cash customer goes to his tailor, and has to pay in the price of his coat a share of all the bad debts which the tailor has made; but to that we have learned to submit. Nobody, however, would submit to buying for cash, and paying the price of

the longest credit. Yet this would be the principle of the State, if, when the banks disclose every dollar of their enormous heap of deposits, the State applies to them a measure of taxation fixed for those who disclose only four-fifths of their personal property.

It may be replied, that this is the fortune of war; and is what the honest tax-payer always suffers, — he pays more than his share. But my answer is ready: in *assessing* the tax of the citizens, we must make one rule, even if it apply with severity, for the whole class. But when we are *legislating*, and fixing the law for one class which we know discloses every dollar of its property (as the banks do), and for another class which we know does not disclose its whole property, it is unjust to make the same requisition of both.

To all this we must add that the assessors never intend to tax citizens quite to the last dollar; and the evidence is, that taking the State through, they tax only about 80 per cent of the value, even of real estate.

Besides, about one-third of the deposits are estimated to consist of sums varying from five dollars to two hundred and fifty dollars; and these amounts, if they were not deposited in the Savings Banks, would escape taxation altogether.

This fact is not stated as an argument that Savings Banks should enable taxable property, however small, to escape taxation. But, it is nevertheless true, that the small savings, from $5 to $250, of women at service, of laboring men, of children, if not in a bank, the assessors never intend to tax. And the State, under the old law by which the depositors were taxed individually (Gen. Stats. ch. 57, sec. 150), recognized this indulgent policy, by exempting the Savings Banks from making return to the assessors of any deposits less than $500.

You have, then, in considering whether we bear our share of the public burdens, first, to deduct our United States bonds; second, the real estate, which brings our rate to very nearly

one per cent; then to make allowance for the sums not taxable, because the persons, or corporations, are within the exempted classes; and last, to consider that the rate itself, by which the tax is laid, is fixed for a value less than the real value.

Now, Mr. Chairman and gentlemen, these are very simple statements. If they are true, if you are satisfied on reading the careful report of the commissioner on Savings Banks, and on hearing the statements of the officers of the various banks, who are present, that these statements are true, it seems to put an end to the question; and the view taken by the Governor — a view, reasonable at first sight, one which, without examination, seems at once to be correct — proves, as is often the case with general views, when you come to look at facts, at details (and this question of the Savings Banks is a question of nothing but details, an analysis of 488,000 deposits), somewhat destitute of foundation. I say, that when you come to take a careful and exact view of such a subject as this, it is very likely that your first confident impression will be found to be wrong. In this case we hope that we have satisfied you that the banks are already taxed their full rate.

But, gentlemen, the question which rises in your minds, and which you are waiting to put to me is this: "If what you say is true, how comes it that so many persons of considerable property are putting money into your savings banks; and how comes it that during this last year the deposits have increased more than twenty-three millions of dollars?"

This is a fair question, and I will try to give it a fair answer.

There are many reasons for this very great increase in deposits. The first and obvious one is the natural accumulation of their earnings by the banks. In a prosperous time, like the present, very few of the depositors draw out their dividends. Mr. Holmes, of Fall River, says, that in the first year of his connection with the Savings Bank, he kept a withdrawal book, and upon the whole book there were but six persons who drew out

dividends. Now, the entire earnings of these banks at six per cent, would be between seven and eight millions; and if three-fourths of these are allowed to accumulate, it makes an appreciable part of the twenty-three millions.

For the balance, — the new deposits, — the first reason undoubtedly is, that *the depositors* are not taxed. Not that the *deposits* escape taxation, as has been shown, but the bank pays it, and the depositor never sees the bill. He has no question of taxes to trouble him; and, if he is an ignorant man, very likely he thinks that no taxes are paid. It is no real reason to a business man; it would be no reason to you, gentlemen; but it is a reason to very many of those persons who put in deposits. I cannot help thinking that our corporation tax law, which, in the case of every corporation of the State, which is divided into shares, lays the tax on the corporation, and not on the stockholder, has unduly raised the value of the shares. Unphilosophical as it is, it is still an attraction, in these days of heavy taxes, to know that our dividend is net, and that after we have spent it, we shall not be called upon to pay part of it to the town treasurer.

But there is a better reason than this for a man of property to deposit in these banks, — a reason for which the legislature is responsible, and not the banks. By the old law, the depositor was taxed. If he were poor, or in the exempted classes, he paid nothing. If he were rich, a non-exempt, he paid a full tax, just the same rate, as on his other property. If you had the same law now, the poor widow who puts in her mite, would not be taxed; the rich man who puts in his thousand dollars, would be taxed $15.44 for it. This, in theory, is exactly as it should be. But in practice you found it right wrong. Not only was it very troublesome to keep the accounts and make the collections, but the mass of the depositors above $500 did not fall into your net. What with fictitious names, names of non-residents, trustee accounts, names of children, and of unrecognized women, a

very small tax was collected. So you discarded a system just in theory, but useless in practice, and adopted a system absolutely false in theory, and unjust as to the individual depositors; but one which brought in your money, and a great deal of it, without seriously distressing anybody, or making any disturbance in the timid and sensitive atmosphere of political circles.

Assuming that one-half of the deposits are taxable and one-half are not, you collect half a tax on the whole. This brings you in the same sum of money which a true system would do, if perfectly carried out; the only defect is, that the wrong persons pay the money. The poor widow, who ought not to pay anything, pays half a tax; and the rich man, who ought to pay a full tax, pays but half a tax. The banks do not complain of this, because, though it is a rare instance of imperfect justice, they rely on the wisdom of the legislature, that it is the best they can do. But it would be grossly unfair to make the incidental advantage offered to men of money, by a system adopted for the convenience of the State, a reason for laying a heavier burden on those who ought to bear no burden whatever. If, to save making out the bills, and to secure prompt and full collections, you prefer to have the bank pay half a tax on the deposit of a man who ought to pay the whole tax, is it any reason why you should double the tax on the deposit of the woman, or charitable society, which is by law exempt? It is hard enough to make the poor woman pay half the rich man's tax; she surely should not pay more.

I will not dwell upon this topic; but perhaps I may venture to say, in passing, that just at this point the real question — the true subject for legislative consideration — seems to lie. If the fear of an undue multiplication of banks is just (as is generally thought), and if there is a tendency to make the existing banks the agents of capitalists (which we hope there is not), and if these dangers are to be corrected by interference of the legislature, and not left to be corrected by a falling rate of interest,

and by natural causes, it must be done by improving the method of taxation, and not by raising the rate. To lay one heavy tax equally on all depositors, is to strike at the rich through the bodies of the poor, and to cure the abuse of the banks by crushing the banks themselves. It may not be possible to find any other method of laying the tax than that now used, which would be productive, and easy of collection by the State, and at the same time manageable by the banks; and the fact that no such measure has been suggested, or adopted, is some evidence that it cannot be devised.

I have stated this cause of increase in the deposits with its full strength; but I think you will be satisfied from the evidence that it has not had very great weight, and that the number of persons called capitalists, who are depositors, is not very large.

A third reason, and one more efficient, is the large dividends paid by the banks during the last few years. But why have they paid them? For the same reason that everything else has paid large dividends. Owing to the disturbed state of the currency during our war, the nominal value of all property rising as gold rose, and after that, government securities which had been purchased at par in currency, rising, although gold fell, it was impossible for any corporation, or for any man of business, who acted with reasonable skill and honesty, not to make money. A corporation which in 1861 had large amounts of gold, or of things which were as good as gold, and which afterward, when gold ranged from 150 to 280, sold this gold or property and bought United States bonds at a low price, in currency, got the gold interest on this currency investment as long as gold was high, and still have these bonds at a premium with gold at 111. Even the man during the war, who buried his single talent in a napkin, has received his own with usury; for if he sold gold at 280, and kept the currency which he received for it uninvested this currency has risen from 36 per cent, at which he took it, to 90 per cent, its value to-day.

The Savings Banks, which were managed with their customary prudence, but which the faint-hearted thought, from their great investments in bonds, when the credit of their country was low, had sunk their prudence in their patriotism, reaped their full share of the general gain, when the credit of their country rose, and hence their large dividends. That time, gentlemen, has gone by. The people who put their money into the banks may not know it, but the banks are now feeling the dividends which they paid, one, two or three years ago. But the investors in Savings Banks are just like the investors in all other stocks; they invest on the faith of dividends which have been made, not on the strength of dividends which are to come. The banks have been living on their own fat, and they have not much more to live on. They cannot pay such dividends in future (a point which I shall consider presently); but the fact that they have paid them, is the reason why people are now hastening to make deposits.

There is a fourth reason, and a great reason, for these large deposits; that is, the enormous amount of money which has been saved during the last seven or eight years — since the middle of the war — by the class of persons who deposit in Savings Banks. It is common to say that the expense of living has kept pace with the increase of wages. If a man has a wife and five or six children, and has to find shoes, and clothes, and food for them all, and if neither his wife nor children work, and if his wife has all the modern improvements in her ideas as to what she ought to have, and what she ought to do, this is probably true. But, if you will ask any master-mechanic, he will tell you that those of his workmen who are industrious and unmarried, and have none but themselves to support, have saved money at a rate never before known in any country. Hear what Mr. Symonds says of the depositors at Salem: "I remember," he says, "the time when a dollar and a quarter a day were pretty good wages

for a man; and, if he had his health, and steady employment, he might, perhaps, save his dime a day; and many a depositor who has money in our bank has saved it in that way, and has been many, many, years in accumulating his three, four, five, or six hundred dollars. But now this is all changed, and as you know, this class of people receive two, two and a half, three and even four dollars a day; and where they could formerly save a dime, they can now save a dollar; that is the way the money has been accummulated."

A fifth reason is the great dulness of trade. It is plain that a great deal of money has gone into the Savings Banks. Show me a decent stock in Massachusetts that money has not gone into. Look at bank stocks, and the prices they are bearing. Look at railroad stocks; look at the stocks of every tolerable factory. The number of investors in them all has been in excess of the supply.

A sixth, and special, reason has operated during the last year, and will account for a large part of the deposit, and of the comparatively large sums in which it was received. When the government bonds were first introduced, great amounts of money were withdrawn from the banks to be invested in them. The government, also, in this way, intercepted many small sums, which would have flowed into the banks. But the frequent robberies, and heavy losses of unregistered bonds, have made the small holders uneasy; and now that gold has got down to 111, — so that after they have sold their coupons and turned them into currency, they get a bare six per cent on the price they could sell their bonds for, — they prefer selling the bonds, and going back with the money to the bank. Mr. Adams, of Framingham, says: "I have myself sold about $50,000 of these bonds, mostly for that class of people, a large portion of which has come into our institution in sums of from $50 to $727." Mr. Lee says of his bank in Springfield: "During the year, when the 7-30's were issued, we paid out, within six months, over half a million of dollars, which I am very confident was

invested in bonds. That money was the accumulation of years. Now, those persons have sold their bonds, and put the money back into the bank in a lump."

And there is still another reason for large deposits, special in its operation during the last year, which bears with singular force on our present inquiry. I will state it in the words of Mr. Eaton, of the Essex Savings Bank, in Lawrence: "In 1869, the State of New Hampshire saw fit to limit the rate of interest paid by Savings Banks [exclusive of extra dividends] to five per cent, and also to increase the rate of tax to one per cent. What was the result? A good many persons came across the line, and put their money in our Savings Banks; and to-day, Massachusetts gets a tax upon thousands and thousands of dollars, the owners of which live in another State." Mr. Lee, of the Springfield Institution for Savings, says: "We have half a million of dollars coming from out of the State. That does not take into account amounts of less than $500. We think that is all clear gain to Springfield, because we have built up the place with it."

And lastly, there are reasons in the character and reputation of the banks themselves, why they attract larger and larger deposits every year. The Savings Banks are now universally known. When there are more than 480,000 depositors out of a population of 1,400,000, it must be admitted that few persons in Massachusetts remain unacquainted with these institutions. It is said that many of the deposits are duplicates. Admit, for the present purpose, that they are. Admit that one half of them are, we still have 240,000 depositors. Suppose that they are in sets of four, there are still more than 120,000 depositors, most of them residents of the State. In fact, there is hardly a man, woman, or child, in Massachusetts, who does not know what a Savings Bank is, what rate of interest it pays, and that it is the safest place to put money. If you look through the Commonwealth, where will you find so much money taken care of, and so little lost? Look at the banks of discount and deposit, at

the factories, at the railroads, where is the man who has put money into them that can be as sure of having it in his hand when he needs it, as if he had put it into the Savings Bank? Then it is known that the banks are managed cheaply. By collecting small sums of money into large masses, the expenses of management are reduced to a very trifling percentage. A trustee who manages the property of a rich man, gets five per cent on the income; and on a final distribution of the property, one per cent on the capital. If the fund brings in seven per cent a year, five per cent of that is ^{35} of one per cent of the capital. The Massachusetts Hospital Life Insurance Company, in Boston, the great corporation which has managed with success the property of the rich, and is, in fact, the Savings Bank of rich men, charges half of one per cent a year on the capital, besides paying no interest for the first four months. The depositors in the Savings Banks have had their little deposits managed for the last year, at the rate of hardly more than one quarter of one per cent, to state it exactly, at $\frac{27}{100}$ of one per cent. So then, by massing these little sums of money, we have attained the end which all civilization and all democracy aims at; we have placed the poor, as to their small money affairs, not only on a level with the rich, but have enabled them, by co-operating, and uniting their funds, to have their little savings managed as safely and productively, and more cheaply than the rich have done with their millions.

This is done, I say, by co-operation. The poor man with fifty dollars, or with five dollars, or with five cents (which sum my friend on the right, Mr. Evans, receives in his bank) — what can he do to invest it? Can he go into State street and buy stock? The good investments wait for the men who have the great piles of money. The Scripture says truly, that "the destruction of the poor is their poverty." But where a thousand poor men combine in a Savings Bank, they get the advantage of the rich, and can command investments and buy bonds and stocks

which are only sold in large quantities, and at the wholesale price. When the State offered its bonds for sale many years ago, one of the Savings Banks in Boston took a great part of the issue; and when afterwards the bonds rose, the gain went to the depositors; and they secured it by having as much money as the State wanted, at the time when it wanted it. Acting separately, the depositors could not have bought a single bond; acting together through the bank, they were able to compete with the great capitalists, and also to do a service to the State. All this is a matter well understood by the people of Massachusetts; and one which the legislature will accept, not only as one of the most republican and useful results of these institutions, but as one of the secrets why they attract so much money.

There is yet another fact, which the people know personally, an opinion which we may hope they will never have reason to change; that the banks thus far have been in the hands of careful and honest men. The Provident Institution of Boston, of which I have the honor to be one of the trustees, was the earliest Savings Bank in the State; established in 1817, and has now about eleven millions of dollars deposited with it. During the fifty-four years (as I am not on the Committee of Investment, I may properly speak of those who are), it has had the advice, and the time, a good deal of the time, of the most sagacious money-making men of Boston, who have gone there every week, and attended to the business, as if it was their own; who have got no money or advantage out of it, and have taken the same care of the little sums of money, as they would of the money of their children. And the same may probably be said of every old bank in the State.

Now, as you have asked me why the deposits in these banks have so increased, have I not given you good reasons? Every one of these reasons is operative; some with one depositor, some with another; and all together, they have produced a great result, a splendid result for the depositors, chiefly; next for the

credit of the managers of the bank, and, through both, for the Commonwealth.

But it may still be said that what the Governor told the legislature is correct, — that capitalists are depositing in the banks — that they have lost their character of Savings Banks, and become ordinary money corporations, and ought to pay just as much tax as a railroad, or a bank of discount and circulation. I have already been over this ground; but perhaps, as it seems to be the point which really exercises the minds of sensible men, I may be pardoned for going over it once more.

The word "*capitalists*" is vague. In its strict sense, every man who has five dollars in a bank is a capitalist. "To save money and to have it invested securely is to become a capitalist." But this is not what the Governor means. I understand him to refer to the old distinction between capital and labor; and to mean by a capitalist a man who relies on his capital for support, and either does not work, or has no need to work for a living. He holds that the Savings Banks were intended for the use of persons who worked with their hands, or otherwise, and whose savings were either not large enough to seek other investment. or they had not the knowledge and skill sufficient to make investments.

I have before me returns from almost every bank in the State (121 banks out of 139), in reply to certain questions addressed to them, in the expectation of this hearing; and as far as they make answer, it is that about two per cent of their deposits are from capitalists. Perhaps they do not understand the term as the Governor does, for I should think a larger proportion than this, of recent deposits, had been from this class. But, if my former argument is sound, that half of the deposits are held by the exempted classes, it matters not, as to the justice of the tax, to whom the balance of deposits belong. And I take it for granted that no legislature, in the opinion that too much money found its way into the banks, would lay a tax, in the nature of a fine, for the purpose of discouraging capitalists from making further investments. But on this point allow me to call your attention to what the officers of the banks say: Mr. Symonds (treasurer of the Salem Savings Bank, with deposits to the amount of $4,500,000) says: "It is said that many of these depositors are capitalists. Why, sir, we have 14,000 or 15,000 depositors. Upwards of 7,000 of them are citizens of Salem, or were, when they made their first deposits, — nearly one-third part of our entire population, men, women, and children. . . . A very large portion of them are of those classes enumerated by Mr. Parker as exempt. . . . From the laboring class, four-fifths [of our increase] certainly comes. We have increased about half a million of dollars a year for the last four years. . . . Among the first two thousand deposits, commencing fifty-two years ago, there were, a short time ago, a hundred still open."

Mr. Lee, of the Springfield Institution for Savings, says to the point, that a large deposit does not necessarily show the depositor to be a capitalist: "We paid to an Irishman, the day before I came here, $1,060; he commenced with $5; he took it out, because he wanted to invest it in real estate. We have some deposits of $1,000; but how was it accumulated; it is the accumulations of labor, not the investments of capital. I returned twelve or fifteen that we should call capitalists; they are rich men." [The total deposits are about $4,000,000.]

Mr. Holmes, of the Fall River Five Cent Savings Bank, says: "It is the help who deposit their savings in the bank. When they leave one mill, and go to another place to work, they come and draw it out and deposit in another bank. They draw out $500 from an institution here, and deposit in Lowell, and it appears there as $500. . . That $500 represents the savings of years, and is all the depositor has in the world."

And let me call the attention of the Committee again to the fact, that operatives who get the present rate of wages, and are

willing to live in the old-fashioned way of laboring men, make savings which, at first sight, would cause them to appear capitalists in disguise.

Mr. Holmes says: "At one time we had a large number of French Canadians come to Fall River, to work in the mills. They were accustomed to live differently from our people, on very small earnings, in their own country. . . . In several cases, where they were not in the city more than two years, they accumulated and drew out from the bank, of which I am treasurer, from $1,500 to $2,000; went back to Canada and bought farms, and live there on the money that they earned in Massachusetts during that period. . . . They were day laborers, who worked in the mills. Looking over one or two pages of my deposit book, I found that out of 150 deposits that were made in three days, there were less than thirty of $20 and upwards, leaving 130 out of the 150 that were less than $20. But, if they deposit $20 each month, it will soon amount to a considerable sum. . . . I suppose that no man who looked into it, has any such idea [that the large deposits are necessarily the money of capitalists]: It represents the earnings of labor. A family consisting of the father, mother, and two children, had in the bank some $1,800. They bought a house costing $2,400. They drew out their money, and mortgaged the house to the bank to get a homestead, which they own, and on which the city is now deriving a tax. . . . They were of Scotch origin, and all worked in the mills."

If the experience and observation of these gentlemen are any criterion of the general facts, there can be no doubt that the bulk of the deposits in the banks are not the superfluous wealth of the moneyed class.

In quoting these statements, I do not fail to observe that they disclose the difficulty which arises from the changed condition of modern society. "The nineteenth century," says Mr. Gladstone, "whatever else it is, is undoubtedly in a new and peculiar

sense, the century of the workingman." A workingman in Massachusetts to-day may also be a capitalist. And if he has the advantages of a moneyed man, he must also take his burdens. Should the man who has $5,000 laid by be exempted from taxation because he continues to work with his hands? Certainly not. But I think that the facts already stated meet the argument when put in this, its strongest form.

It is to be noticed, also, that when we admit that the workingman who has made considerable savings should not be relieved from taxation, it by no means follows that he should not continue to deposit in the Savings Bank, or that, if he continues so to deposit, they become, in the Governor's words, "ordinary money corporations." The proper function of a Savings Bank is "to afford to persons whose time and attention are otherwise occupied, the opportunity of obtaining, with as little expense as possible, a safe and remunerative investment of their savings" And in this view, the Savings Bank deposit is the most wholesome investment for the workingman. By workingman, I mean "the great bulk of the population, which lives honorably on the fruit of its labor, whether of the mind or the body; the latter (by custom, rather than with correctness of language) being termed the working class."

There is still another argument of a wholly different class suggested by the Governor's address, — that the deposits in these banks have become so large that the *public policy* requires them to be in some way diminished, so that they may flow into other channels. Or, to state the same proposition in another form, — that so much money has been withdrawn from trade, that something must now be done to turn it back to trade. The first question suggested by this proposal is, Can you do it? And the next, would you do it if you could?

Do you think that if the natural channel for money is that of the Savings Bank, the legislature, by imposing unequal taxes, can force money out of the channel which it seeks, into an arti-

ficial course? And, on the other hand, if there is a demand for money in trade, do you think that the legislature can prevent the citizens of New England from trading? or that anything will prevent them from using their money in trade? Is not this like trying to make the water run up hill? If a man thinks he can make money by running a grist mill, or a saw mill, or by keeping a country store, do you believe that any legislation will force him to keep his money in the Savings Banks? If you do, you very much misapprehend the people whom you represent; and this I know you do not. And do you think that if a man finds he cannot run a saw mill, or a grist mill, or keep a country store at a profit, the legislature can prevent his putting his money out at interest; and that by taxing or fining him, for making such loans, the legislature can disturb the fixed laws which govern money and trade? The Commonwealth might as well undertake to fix by law the price of bread, or the price of labor. That idea has been long since exploded in countries where the laws were more like those of the Medes and Persians than they are in Massachusetts. In a State governed by the people, and for the people, as this is, it is impossible to make, or keep, such laws. People will use their money in the way they want to use it, and not in the way we tell them to use it, or in which we think they ought to use it. Whenever there comes an impulse to business, we shall find that this money will be called out from the banks; and until it is called for, we may be reasonably sure that the people who own it, can manage it as well as we can do it for them.

Besides, is there no proper use for money, except for trade? Are not the banks using the money well? And can we talk of their deposits as if they were money put away in a stocking?

It seems to me that the suggestions made by the Governor in his address, and in an intelligent and agreeable argument which he made to a legislative committee on this subject, before he held his present office, rest on two propositions which should

not hastily be admitted. The first is, that the money of the banks exceeds the useful employment of it; and the second is, that it would be wise and safe to invest this money, which is trust money, for the purposes of general business, as banks of discount use it. Are not the $53,000,000 lent on mortgages, the $11,000,000 or $12,000,000 lent to counties, cities and towns, the $21,000,000 lent to individuals on personal security, the $3,500,000 lent on bonds and other securities, and the $14,000,000 invested in bank stock, as usefully placed, as if they were used in discounting, or buying, commercial paper, which is what is meant, when we talk of using it for business?

Was not the large sum of money which went into the national treasury from these banks, during the war, for the purchase of bonds, as usefully appropriated (independent of its use to the owner) as if it had been at the disposal of merchants? And I have here enumerated, in substance, all the ways in which the money is now used. If the assertion were true that capitalists are now depositing, it would show slackness in trade; and what would be the use of offering more money for commercial purposes, in order to induce people to trade, when the fact that they deposit the money shows that it is not for their advantage to trade? Why talk of these deposits, why think of them, as money not utilized for the best interests of the State? What is this fund of $136,000,000, but one grand reservoir, to which every citizen can have recourse to water and refresh his own fields? If he wishes to marry, and needs a house for his wife and children, he can get money there on mortgage, at a reasonable rate and on long time. If he wants money for his business, and has sound collateral security, such as the statute approves; or has two good names to add to his own, he can borrow, not on a four months note, but for as long as he needs it. When his town needed money to save such of her citizens from the necessity of going to the distant war, as pressing duties at home demanded should remain there, it was the Savings Banks which

lent them the bounty money. And, when any man, or body of men, need money for a series of years, for any purpose of solid merit, it can be had there. Are not these persons quite as important as the commercial class, and far less able to look out for themselves?

Again, as to the other suggestion to make the savings banks banks of discount. If there is anything well settled, both in law and business, it is the distinction between money used by trustees and money used in trade. The man who puts money into trade, works up his own skill with it, and gets his return from this combined skill and capital. But he puts both his money and his time at the risk of trade; and this is so great a risk, as to end in the failure of a large proportion, perhaps more than half in number, of all business men. It is well, then, that he should take this risk with his own money, or with that of other persons who are willing to lend it upon these terms. But for a trustee, who holds the money of widows and orphans, ministers, children, the whole class of commercial non-combatants, — to embark their money in trade, is what neither the courts nor the common sense of mankind, have permitted; and which, when done, has been punished by compelling the trustee, in case of loss, to make it up out of his own property. The Savings Banks are trustees. The Supreme Court say, "The money in the hands of Savings Banks is held in strict trust." 5 Allen, 434. The State has recognized them as trustees, and has limited their investments to a narrow class; and to this, as much as to any other one thing, has been owing their great safety and success.

There remains a single question of public policy. If we increase the tax, will the State get more money? Shall we not lose, or fail to gain, as large a proportion of deposits as we shall increase the tax? The State received last year above a million of dollars — an enormous sum — which is got in without loss, without delay, and without trouble. Do not kill the goose that lays this golden egg. I have said that the banks cannot hon-

estly and safely make great dividends any longer. What can we now do with money that will be sure to bring more than seven per cent? And how long must we wait before the investment at this rate offers? We may buy Berdell bonds, of which the State has many, very cheap; and when, and if, we get the coupons paid, the returns will be great. But this is not an investment for the widow and the orphan. A first-rate mortgage at seven per cent is not easy to get, or a note at that rate with first-rate collateral security of any kind. And now that the day of expansion has passed, and the time of contraction has begun, and gold has nearly reached the paper level, there is no longer a prospect of the great investments of '64 or '65. Those investments will be things to tell your children of, when you give them the story of the war; but they are what we of this generation must not expect to see again.

Assume that the banks can get seven per cent. The State takes out from this $\frac{3}{4}$ of one per cent, which leaves it $6\frac{25}{100}$. Then take out the $1\frac{54}{100}$ on the $1,400,000 of real estate which the banks own, there is left $6\frac{23\frac{1}{2}}{100}$. Deduct again the tax paid to the United States, $258,000, in round numbers, which is nearly $\frac{21}{100}$ of one per cent. There are now left $6\frac{2\frac{1}{2}}{100}$ per cent. Take out the cost of management (which is very low, and which in some cases does not include rent, because the banks own their buildings), and there is $5\frac{77\frac{1}{2}}{100}$ left to divide. But, before it is divided, something must be deducted to cover bad debts, and other losses. It is safe to say that with taxes, expenses, and usual losses, one and a quarter per cent must come out, and this leaves for a dividend five and three-quarters per cent. Very fortunate will the savings banks be, in the years to come, if they can be sure of this year by year.

I ask you as men of affairs, and men of good judgment, whether in the present state of things, it will not be hard work for the banks, and will not require them to cut their corners

very close, to make above $5\frac{1}{2}$ per cent, net? I take it for granted that the banks forbear speculations, and comply with the law. And such a dividend as $5\frac{1}{2}$ or $5\frac{3}{4}$ per cent, does not make the investment tempting to the capitalist, the man of a million dollars, or of an hundred thousand dollars. The extra dividends of the last year have been small; the ordinary dividends have averaged $6\frac{1}{9}$ per cent. That rate is not extravagant as a return; but it is higher than the banks can keep up. The question has been put to the 139 banks: "Can you pay more than 6 per cent annually to depositors?" One hundred and twenty-one banks answer that they can pay $5\frac{96}{100}$ per cent, and 15 banks that they can pay 6 per cent. I think these are over confident expectations, if they extend to a long period. The average of the current earnings for the year has been a trifle below 6 per cent; and to make their dividends, they have trenched upon their reserve. But it is to be noted, that most of their present investments were made some time ago.

The further question was put to the banks: "Do the investments made for the last two years, less taxes and expenses, yield a rate above six per cent? 121 banks answer that they averaged $5\frac{88}{100}$ per cent. Only 15 banks were getting more than 6 per cent net out of their new investments.

Now, gentlemen, is it probable that, if you cut out of these dividends another quarter per cent, the banks can hold their own? There are investments of a more or less speculative nature, such as the bonds of Western railroads, which will then become very tempting to persons who then will be getting $5\frac{1}{2}$ per cent or less, and they will also have the ready investment in United States bonds, which we cannot tax. It may be said that $5\frac{1}{2}$ per cent net, after paying taxes, is a handsome annual return. But you must bear in mind that the men and women of the laboring class, if they take their money out of the bank and lend it, will expect to get more than six per cent, *and also to escape taxation altogether.* If an Irish laborer lends $500 to his

employer, he will never disclose it to the assessors, and what interest he gets will be clear of all tax. If you reduce the dividends to that rate, you will see two things. Those banks which are ambitious and speculative will be straining every nerve to keep up the old rates. Many of them will fail; and this will shake the present confidence in the system, and check the stream of deposits. The other banks, which depend on honest earnings, will reduce their rate; and very likely their deposits will fall off. And with the deposits, of course, the amount of taxes falls also.

In the year 1834, there were in all the Savings Banks of Massachusetts $3,400,000. The whole amount of deposits was not much more than three times what is now paid, in a single year, as a tax. The banks have now $136,000,000. If, by legislation, you displace this great amount of money, where will it go? Most of it will go where assessors will never find it, or the towns levy a tax upon it. The moment that the Commonwealth lays a heavy hand upon the banks, the great capital out of which so much revenue now flows, will glide away in a thousand imperceptible channels, and no ingenuity of the legislature will then be able to entice the golden stream back to the coffers of the State. The money of the masses will then be safe from taxation; and the Savings Banks will no longer serve you as a divining rod, by which to detect the hidden stream from which the State draws its supply.

And now, gentlemen, in conclusion, it is but just, in considering what the Commonwealth shall do with the Savings Banks, to consider what the Savings Banks have done for the Commonwealth. When Savings Banks were first established in Scotland, Mr. Jeffrey said: "It would be difficult, we fear, to convince either the people, or their rulers, that the spread of Savings Banks is of far more importance, and far more likely to increase the happiness, and even the greatness of the nation, than the most brilliant success of its arms, or the most stupendous im-

provements of its trade, or its agriculture. And yet we are persuaded that it is so." Has any one ever reflected how much of this prophecy has been fulfilled; and how much of our present prosperity is owing to the silent spread of these institutions? How much content has been given to our laboring population, by the knowledge that the savings of their toil were safely cared for, and steadily increased. How much steadiness has been given to the working classes in times of political disturbance, by the knowledge that their savings were a stake which they had in the public welfare? What an old writer said of the Roman soldier has been true of many a one of our adopted fellow-citizens, that "knowing that his property is deposited with the standards, in the public chest, he never thinks of desertion, and in battle fights bravely, according to the nature of man, who has always his heart where his treasure is." When Savings Banks were first established in Massachusetts, in the year 1817, our population was made up of native Americans. The flood of immigration has since swept over us, and hundreds of thousands of our people are now of foreign birth. All but an inconsiderable minority of these strangers, men as well as women, were utterly incompetent to make investments. Without the aid of the Savings Banks, they would have been helpless, and their earnings must have been spent or lost. As it is, these immigrants have not only enriched the State by the products of their labor; but have added many millions to the money-capital of the State by their deposits in the Savings Banks. There is frequent remark on the contrast of the condition of a foreign laborer as he is in Ireland or Germany, and the condition of the same man in the United States. Much of this is owing to his having something here to save; but, of what use would his savings have been to him or to the State, had he no encouragement to make them, nowhere to place them? And how much of the very wages out of which he has made his savings, are the fruit of enterprises, rendered possible only by

the funds of the Savings Banks? As has been well said by the commissioner of the State of New York: "The savings aggregated as capital, minister to these public enterprises; but these public enterprises demand labor for their prosecution; and thus return to labor, in the form of wages, what they borrowed from it in the form of capital. . . . Other *unions* are formed as combinations of labor *against* capital; but here is a combination of labor and capital."

Massachusetts has many things which she is proud to show; but is there any thing which is a subject of juster pride than her Savings Banks, — the amount of property which her citizens have been willing to confide to them, — the fidelity with which it has been managed, and the universal confidence which the banks at this moment enjoy? Compare the $136,000,000 in our Savings Banks to-day, quietly earning $7,000,000 or $8,000,000 a year, and ready at the call of any depositor, be it only for a dollar; paying more than a million, every year, into the treasury of the State; aiding the counties and towns with ready loans; and building up the country villages by long mortgages, with the same money as it would be, if there were no Savings Banks, or as it was before these beneficent institutions lent their aid. The poor woman who in the old times had twenty dollars hid it in a stocking, or lent it to some needy friend, or was prevailed upon, against her better judgment, to accommodate a speculative son, or an injudicious brother; or hastened to lay it at the feet of some man with whom she was in love, or listened to the entreaty of an insolvent husband. When a sailor returned from a voyage, he spent his wages in tap-rooms, or lent them to his landlord. The owner of the money got little return in the way of interest, and, in many cases never afterward saw the principal. The State got nothing whatever in the way of tax.

I have said, compare this money as it is now invested, with what it would have been in the old way of investment; but

there I am mistaken; it would not have had an existence; it would have been spent, or lost. The Savings Banks have, in great measure, *created the capital* which we are taxing. And if a penny saved is a penny earned, why have they not as good a title to be considered producers, as have manufactories, or ships, or farms? Is there any one of these methods of production that has added more to the present capital of the State? And has any one of them done so much as they have done to foster an honest desire of independence, and that industry and frugality which the people of New England once deemed cardinal virtues? For an answer to all these questions, we confidently appeal to the great body of your constituents. Whatever else you may legislate upon this year, whether it be the boot and shoe trade, the cotton manufacture, railroads or fisheries, there is no subject which will be understood by so many persons, or will come home to so many families, as the one which you are now considering. There is not one house in twenty in Massachusetts, in which somebody, either in the kitchen or the parlor, is not interested in what you will decide. There is not one man, woman or child in ten, who will not observe, and note, the effect of an increased tax. It is the people of Massachusetts that have made the banks, the people who are keeping them up, and the people who will first feel any legislation which makes them less generally useful. They are satisfied with things as they are; and if the legislature tries to make them better, and the attempt should fail to succeed, there will probably be more intelligent persons to note that failure, than there would be in any other branch of legislation. This is no reason why you should not make the attempt, and why we should not aid you in making the attempt at improvement, if there be good ground for believing it necessary. But it is reasonable for us at the same time to recollect, that mistake and failure will here be peculiarly public and mortifying, and, we think, certain.

EVIDENCE OF BANK OFFICERS.

The Chairman. There are one or two matters of statistics which the committee would like. You referred in one part of your address, to the percentage of persons who might properly be called capitalists, who deposit in the banks, and to the popular opinion, that a large amount of this money now on deposit is held in comparatively large sums, for the purpose of avoiding the tax. As a guide to enable the committee to judge to what extent that statement may be true, can you tell us how much money is on deposit in the Savings Banks in sums of over five hundred dollars?

Mr. Parker. It is not in my power to give that information. There are gentlemen here from banks in different parts of the State who I have no doubt can give it.

The Chairman. As the committee understand it, the U. S. law levies a tax of one-half per cent on sums of $500 and upwards, after deducting the amount invested in government bonds?

Mr. Parker. I believe that is correct.

The Chairman. That being correct, and the U. S. tax paid last year being $258,000, it would appear that the amount held in sums of $500 and upwards is $75,000,000, — more than half of all the money in the Savings Banks.*

Mr. Parker. It must be considered, in that view, that a great part of these deposits are made up of accrued interest.

The Chairman. That is another point, in sequence, on which we would like to have the figures.

Mr. Parker. There are representatives of a good many of

* Note.—The exact amount would be $51,616,674, the tax being $258,083.37. Add U. S. bonds $23,170,7994, —the total is $74,787,473.

the banks present, and any questions which the committee would like to address to them in writing, they would be pleased to answer.

The CHAIRMAN. There is one other question. You have calculated that one and a quarter per cent must be deducted for taxation and expenses from the amount received as interest by the bank, before there can be any net earnings to be divided among the depositors, and your calculation reduced the net earnings to 5½ per cent.

Mr. PARKER. If they got seven per cent, that would reduce it to 5¾.

The CHAIRMAN. That proceeds upon the supposition that your bank begins to pay interest upon deposits from the moment the money is taken. Are there any statistics to show what length of time money remains on deposit before interest commences?

Mr. PARKER. No, sir. But is not that as broad as it is long? because all they make is divided some time or other. The bank which I represent, and a number of the banks in Boston, put their money at interest once a quarter. If there is any money earned on that deposit before the depositor receives it, it goes to some other depositor; there is no more money in the bank.

The CHAIRMAN. You may assume, in your institution, the money going on interest once in three months, that you get free use of the money for six weeks. Then the question would be, whether that sum was greater or less than the sum you were obliged to keep constantly on hand, that is, earning nothing, to meet the calls for payment. If that sum is equal to the sum so used free of interest, then, as you suggest, it would be as broad as it is long; but if the amount held on which no interest is paid is greater than the amount you are obliged to keep on hand, would not that increase your earnings?

Mr. PARKER. The first question would be whether your

average of six weeks is correct; whether in fact people do not make most of their deposits just before the time the money goes on interest. Then, in the second place, if six weeks' interest were earned, it would all go to swell the deposits.

The CHAIRMAN. Undoubtedly; but the question is, should it not raise your earnings above seven per cent? Whatever your rate is, if you charge seven per cent, and it should prove at the end of the year that your rate had been seven and one-quarter, should you reckon that in?

Mr. PARKER. I have assumed, in my statement, that we could not get more than seven per cent. Then, by saying it is as broad as it is long, I mean this: that if there is one depositor who loses that six weeks' interest, it is divided among the other depositors, and the next quarter, he will get his part of what somebody else deposits. It all corrects itself.

I think, perhaps, the question may be answered, in part, from the report itself. At the date this report was made up, the amount of cash on hand was $1,785,000. That was lying idle. I think that will answer the question that you put, and show that the loss of interest is likely to be as great in this way as is gained elsewhere.

The CHAIRMAN. The committee understood your former reply to be, that you took seven per cent as the net rate of interest, including everything of this kind?

Mr. PARKER. Yes, sir; including everything. I think if they earn seven per cent, it is as much as they can earn honestly.

Mr. KIMBALL. Do you propose to consider the matter of non-resident depositors?

Mr. PARKER. I don't think anybody has any means of ascertaining that. I should be very glad to have the committee ask the officers of the several banks who are here, on that subject. The number of depositors, you will see, is very great. On that point, I would say, that if our Savings Banks are so

good that we draw in a large amount of money from other States to seek investment and to be taxed in Massachusetts, it is a very strong reason why we should not do anything to drive these depositors away. It is just so much foreign money which we are bringing into our State for taxation.

Mr. C. J. HOLMES, treasurer Fall River Five Cents Savings Bank. In answer to the question just asked, I would say, that it is ten millions, at least. There is one million of dollars in the city from which I come. And I would also say, that if the tax is increased as proposed, there will not be one dollar of this large amount left on deposit in the Savings Banks, beyond the time when the depositors can draw it out and place it somewhere else.

The CHAIRMAN. From how many banks have you information?

Mr. HOLMES. I cannot tell. I have asked the treasurers of various institutions as I have met them. Two gentlemen have told me, since this hearing commenced, that they had half a million each.

The CHAIRMAN. It is an estimate, then?

Mr. HOLMES. It is an estimate, but here are two millions in three places.

At the time when the Savings Banks held a meeting to consider this subject, a committee was appointed to look into this matter, and they have presented a report. We do not, therefore, come before you with vague, uncertain statements, which has been, in great measure, the character of the statements which have been made heretofore. These are statements on which you can rely, made by the banks in reply to questions sent to them by the committee, and I think they show conclusively that the tax is at least as large as it should be. I think we could show reasons why it should be reduced instead of being enlarged. These accumulations have grown up under a system which ought not to be interfered with without good and sufficient reasons.

The Savings Banks have gathered together the surplus funds which have formerly lain idle in people's pockets. The town treasurers very frequently come into the Savings Banks to borrow money. Very recently, one of these gentlemen came into my own bank and said: "Times have changed entirely. Formerly, when the town needed any money, I could go out and raise a thousand dollars in a forenoon. Now, I have spent the whole day, and have not been able to get a hundred dollars. It is all in the Savings Banks." One result of this beneficent system is, that the cities, towns and counties are able to borrow money at a much less rate of interest than they otherwise would be. It has utilized all this floating capital, which before was in the hands of the people, who derived no income from it.

I want to say a word in regard to this large amount which seems to have been deposited within a few years. A large sum has been held by people in government bonds, which, during the last two years, by reason of the price which they could get for them in the market, and the danger to which they were subject of loss by theft or by fire, they have been induced to sell, and have deposited the money in the Savings Banks. I do not refer to capitalists, but to people who had taken their earnings from the Savings Banks previously, and invested them in United States bonds. These bonds have ceased to be any more productive of interest, when the question of safety is considered, than Savings Banks, and therefore they have gathered up these tributary streams; and that is the reason why there seems to have been this very large number of deposits of $500 and upwards. It is because of the rate of United States bonds, the proceeds of which have been brought in a lump to the banks, and deposited to the credit of individuals.

Mr. PARKER. I am inclined to think, from the inquiries which I have made of the officers of different corporations, that the computation of the committee is substantially correct.

Mr. KIMBALL. (*To Mr. Holmes.*) What is the highest rate charged by your bank?

Mr. Holmes. Seven per cent generally. We have loaned to cities at six. There may have been times when we have charged more than seven for a few weeks, or something of that kind. Seven per cent is the usual rate. That is all we charge. It is all we are able to get.

Mr. C. S. Adams, treasurer Framingham Savings Bank. With regard to the deposits to the amount of $500, and upwards, I would simply say, that I returned to our assistant assessor the sum of $381,249, as the aggregate of the accounts which amounted to $500 and upwards. I have been in that institution some twelve or thirteen years. It is located in a country town, with a sparse population, and with but few operatives among them. I presume that I know ninety out of every hundred of our depositors. I know the circumstances of many of them; I know all about them. I have been at some little pains to ascertain, as far as I could, the number of depositors who have $500 and upwards, whose deposits represent all, or substantially all, they have in the world. Of those that I know, I can count 186 unmarried females who have all their property, so far as I know (and I think I know all about their circumstances), in that institution. There are thirty-three male depositors, having accounts of $500 and upwards, which is, I know, all they have in the world; thirty-three who are incompetent to make their own investments, and it is all they have,—making 219 in all. Those 219 accounts are all of $500 and upwards. Some six or seven of them are $1,000.

The Chairman. Do you know the whole number of depositors who hold this, $381,000?

Mr. Adams. I cannot tell you that. I did not make that estimate.

The Chairman. There must be some 450 of them.

Mr. Adams. Our deposits are a little short of $700,000. We have about 2,700 depositors. There are accounts of $500 and upwards, which I have not included in this statement, held by persons whose circumstances I know nothing about.

I have another suggestion to make in regard to the increase of deposits the past year. So far as my knowledge and experience go, it has been due to the fact that the holders of small amounts of government securities, owing to the insecurity in keeping them (they not being received and cared for by the national banks for the reason that they have no proper place to keep them), they being obliged to keep them in their pockets, or under the bed, or in a bureau, have sold them. I have myself sold about $50,000 of these bonds, mostly for that class of people, a large portion of which has come into our institution, in sums of from $50 up to $727.

Mr. Parker. It has become taxable, where before it was not taxable?

Mr. Adams. Yes, sir. With regard to the question how many of our depositors are capitalists, on looking over my books, I can find, out of 2,700 depositors, but five who could be called capitalists, in any sense. We are not troubled with that class of depositors.

The Chairman. You have given the committee $381,000, held in sums of $500 and upwards. That must of course exceed 400 depositors; probably 450. You account for about one half of them — 219 — as single women and men whose all it is.

Mr. Adams. There may be many more, I cannot say. These are the only ones with whose circumstances I am sufficiently familiar to make any statement which is satisfactory to my own mind.

The Chairman. Do you believe that only two per cent of the depositors holding such sums are people who could be properly termed capitalists?

Mr. Adams. I think they are not what might be termed capitalists.

The Chairman. Perhaps they would hardly be supposed to be capitalists on State street, but people who are perfectly competent to take care of their own property.

Mr. ADAMS. What I mean by capitalists is, men of large means. We unquestionably have many depositors who could take care of their own money, if they saw fit.

Mr. KIMBALL. What is your largest deposit? Have you any up to the statute limit?

Mr. ADAMS. Yes, sir.

Mr. KIMBALL. How many?

Mr. ADAMS. I think we have seven or nine now.

The CHAIRMAN. Of the deposits belonging to these 219, are they the accumulations of years, or money of which they have suddenly come into possession?

Mr. ADAMS. The great mass of it is the accumulation of years. Some of the deposits are the proceeds of bonds sold the past year.

Mr. S. B. PHINNEY, president of the Hyannis Savings Bank. I am here representing what may be called a new institution. I think I see a gentleman present who is treasurer of the Barnstable Savings Bank, and who has held that office for something like thirty-nine years; so that anything I might say would be perhaps of little consequence in comparison with what he may state to the committee. I may say, however, that I represent the Hyannis Savings Bank, which is about two years and a half old. Its depositors are a little rising 800 in number, and the amount of deposits $225,000. Out of that number, I should not suppose that more than six or eight were depositors of over a thousand dollars; the balance varying all the way from five dollars up to five hundred.

I have been asked the question so many times during the past year in reference to the large amount of money which has been deposited in the Savings Banks in various sections of the State, that I have been led to inquire in my own section as to where the deposits came from; and I have found that a considerable proportion have come from sailors returning home, who, finding an opportunity to deposit their savings, have done so. But during the last eight months, I find that there have been more government bonds sold than at any time during the two years previous. These bonds have been sold, and the proceeds invested in the Hyannis bank. Depositors have sometimes been asked the question why they sold their bonds, and they have said, "The bank is very well conducted; we are satisfied with the returns; and we are fearful of losing our bonds, not registered."

These men have sold their bonds, and deposited the money in the banks of that section. The Hyannis bank is in the south part of the town, — we have some five or six villages upon the seaboard, South Yarmouth, Hyannis, Cotuit, Cotuit Port, — but limited as it is, a large portion of that money is money that is brought in by sailors and deposited there; not by capitalists; we have but few capitalists on Cape Cod. Our men are generally men of small means, and the money which has been deposited there is such as would have been, except for that bank, put somewhere else, and lost.

I understand from some of the depositors that they have invested their money in the bank because they believed it would not be taxed. They had sold their government bonds, which were not taxed, and they had confidence that the State would not tax their money in these banks. My impression is, that those who have sold their bonds and put them in there, would withdraw their money and invest them in other securities, or in some way hazard the funds which they have there at present.

The CHAIRMAN. In looking over the return of the Hyannis Savings Bank, I see that of $137,000, in round numbers, of deposits, $91,000 was loaned on personal securities. On what class of securities, and in what business?

Mr. PHINNEY. During the last year, money has been coming in quite largely, and we have felt so much confidence in our local State banks, that we have purchased, to a considerable extent, bank stocks, at prices varying from $125 to $131. Some of the stock has been that of banks in our own vicinity, and a

considerable portion stock of the Boston banks. We have done this from the fact, that we have considered that we could make as good returns to the depositors by investing the money in good bank stocks as in any other way. As far as regards the management of that bank, where we could loan money to our friends in various parts of the Cape, who wanted it on mortgages of real estate, we have done so. When any money has remained uninvested, we have thought proper to invest it, for the most part, in bank stock. We have invested some in railroads; not, however, I believe, out of our own Cape Cod Railroad, the capabilities of which we know personally.

Mr. JAMES H. EATON, of the Essex Savings Bank, Lawrence. It cannot, it seems to me, take a long time to convince any one of a candid mind that these banks are taxed now as much as they ought to be. In the city of Lawrence, we have those who sell real estate at public auction, and I have asked permission to look over their sales during the year 1870. I find that the property located in the different Wards of the city was assessed by our assessors for 58 per cent of what it actually brought at public auction. Let us suppose that these were exceptional sales, and put it as high as 60 per cent. Calling the assessed value 60 per cent of what the property is actually worth, a man who has a piece of real estate worth $1,000, has it assessed for $600. The average rate of taxation in that city for the last three years has been $1.47. Now, $1.47 on $600 gives a tax of $8.84. Therefore a man owning a thousand dollars worth of real estate pays just $8.84 tax thereon. The same man may have a thousand dollars deposited in the Essex Savings Bank, and he pays upon that $7.50 tax to the State, and $1.37 to the general government — making a total of $8.87 on his savings bank deposit, where he pays only $8.84 on a thousand dollars invested in real estate.

But gentlemen may say this is only true of Lawrence. Let us take it as it is throughout the State. Mr. Parker has said

that the average valuation is 80 per cent on all the property in the Commonwealth, and the rate of taxation is about $1\frac{1}{2}$ per cent. Now, one and a half per cent on $80 would cause a man to pay $12 on $1,000. Increase our rate of taxation to one per cent, to which add $\frac{21}{100}$ for the government tax, and the savings bank deposits would pay a tax of $1.21 per cent, while the gentlemen owning real estate would pay only $1.20 per cent. So that, look at it in any light you please, the Savings Banks are actually paying more than is paid on real estate. The same thing is true in regard to many kinds of personal securities.

Now, if we are paying more than is paid on other classes of property, why increase this tax, especially when $23,000,000 are invested in goverment bonds, which are not subject to taxation, when $53,000,000 are loaned on mortgages of real estate which pays a tax in the cities and towns where it is located, and yet the banks pay another, and when it so much of this money belongs to females, minors, and charitable societies, and is by law exempted, — and universally commended, are those men who exempt it. Looked at in this light, we are taxed to the full extent, and ought not to pay any more.

How has it worked in those States where this tax has been increased? In 1869, the State of New Hampshire saw fit to limit the rate of interest paid by savings banks to five per cent, and also saw fit to increase the rate of tax to one per cent.* What was the result? A good many persons came across the line and put their money in our Savings Banks; and to day, Massachusetts gets a tax upon thousands and thousands of dollars the owners of which live in another State, and we derive the benefit therefrom, just because of the foolish legislation of New Hampshire in 1869. I ask gentlemen, is it wise for this Commonwealth to follow the example of New Hampshire and limit the rate of interest, or increase the rate of taxation, which

* Stats. N. H. 1869, §§ 2, 10. The *annual* dividends are limited to 5 per cent; the surplus may be divided once in two years.

would drive money away from the Commonwealth elsewhere, and deprive this State of the benefit which it now derives from it?

We loan our money at seven per cent. We have a few loans at a higher rate, but the most of our money is loaned at seven per cent. If we pay one per cent to the State, and nearly a quarter per cent to the general government, and a quarter per cent for expenses, we must get seven and one-half per cent in order to pay to our depositors six per cent. In a place like Lawrence, we must pay six per cent; there is no avoiding it. Our manufacturing establishments receive money on deposit. They pay six per cent for every full month that it remains. Let us cease to pay six per cent, and the money is taken out of our bank and placed on deposit at those manufacturing establishments. Bear in mind that we have no right to buy one share of manufacturing stock. We have to pay a tax on our deposits; yet they receive deposits, and the State winks at it. I hope this matter will be attended to. Only a few years ago, one of the corporations had $70,000 on deposit. It failed, and it was only because of the mercy of the creditors that those depositors received anything. Now, in order to compete with our manufacturing establishments, we must pay six per cent, and we cannot do it if the rate of taxation is increased.

Then, again, our Catholic churches have hundreds of thousands of dollars for which they pay six per cent. Let us fail to pay as much, and our twenty-two per cent of Catholic depositors will withdraw their money, the State will lose the benefit it now derives therefrom, and it will be put into these churches. We used to pay as much as six per cent, and we cannot do it if the rate of taxation is increased; and I hope, if this committee see fit to recommend such a bill, that they will also see fit to recommend an amendment of the law so as to enlarge our field of investment. The Savings Banks do not now ask any such thing; but if you place heavier burdens upon them, next year the petition will come, and the next year the demand will come that we be allowed to enlarge our field, that we may carry our money

beyond the borders of New England, where we can obtain a rate which shall enable us to bear this unjust burden.

It is believed by those most interested that the committee will never recommend this increase. One-fourth of all our people are interested as depositors; but who can tell the number of those who are interested as borrowers? Increase the rate of taxation, and up goes the rate of interest, and you excite two classes. It will be felt not only by the depositors, but by the borrowers. It will not be submitted to in perfect quiet.

The CHAIRMAN. Do you know what amount of money you have deposited in your bank belonging to persons out of the State?

Mr. EATON, No, sir; I should not be able to state, except that it is a large amount. It has come in since 1869. They bring it in and ask what is the rate of taxation, and say, "Our legislature has increased the tax, and therefore we have withdrawn it."

The CHAIRMAN. The question is suggested whether you get any deposits from the operatives in all of the corporations?

Mr. EATON. Yes, sir; we do.

The CHAIRMAN. Is there a difference in the number of depositors from among the operatives of different corporations?

Mr. EATON. There is a very great difference. One large corporation furnishes us with but very few depositors. That is the Pacific. The one just below furnishes us with a very large number.

Mr. KIMBALL. How many deposits have you up to the limit of a thousand dollars?

Mr. EATON. I cannot state.

Mr. KIMBALL. Have you any?

Mr. EATON. Yes, sir. I should not dare to estimate; I do not know. There may be a hundred. I am unable to say.

Mr. KIMBALL. Can you give the committee the number, in the course of a few days?

Mr. EATON. Yes, sir.

Mr. Parker. Is there any way of telling who the depositors are out of the State?

Mr. Eaton. Yes, sir, we take their receipts.

Mr. Parker. But if A deposits as trustee for B, you can tell where A lives, but not where B lives; and B is the man whose money is used?

Mr. Eaton. We cannot tell where B lives. I am sure that the number where the original deposit was a thousand dollars is very small — not over twenty-five or thirty; and in most of those cases, I am quite sure the money had been withdrawn from the banks in Manchester, N. H. $2,100,000, I think, is our total deposit.

Mr. Charles E. Symonds, treasurer of Salem Savings Bank. It has been remarked by the gentleman from Fall River, that the committee of the banks, among the other items which they have received, have obtained information which would warrant them in asking for a reduction of the tax now levied upon savings. And pray, if that is the fact, why should not that subject be presented in its full force? Why should not the gentleman who has represented these banks have presented it in his forcible manner? I have no doubt he could establish that point as well as the others which he has so well established in this connection.

In taxing an individual, you do not ask that man whether he has his property profitably employed. He is taxed for its actual value, or the law contemplates that he shall be, though practically it is far from it. How is it with savings banks? If I were appealing to your sympathy, I might show you a long array of figures to establish the fact that we cannot pay six per cent; but is it necessary for us to go into these details? What is it just to tax the Savings Banks? That is the question you want to consider. If you tax them too high, reduce it; if you tax them too low, increase it. That is the question, it appears to me. We have gentlemen here, the representatives of several savings banks, who are familiar with their depositors, and they

can form a pretty correct estimate of their liability to taxation. I think, sir, that I can form a pretty good idea of it, and, looking at it from that point of view, I should claim a reduction of the tax; and I cannot see that there would be any impropriety in this committee, if they should be satisfied that it would be just to reduce the tax, recommending its reduction.

Well, sir, of course my knowledge is very limited. It does not go beyond that of my own bank, and occasional intercourse with the officers of other banks, with the commissioner, and an acquaintance with his reports; but, gentlemen, I will give you my own figures, and I have no doubt they can be substantiated by many others. I have no long argument to make; it is not necessary. I will occupy but a few moments.

We have deposits to the amount of $4,500,000. We hold government bonds to the amount of $1,575,000 — two-sixths of the whole. The State taxes us three-quarters of one per cent on the whole $4,500,000, being the average rate of taxation in the State on one-half of our deposits, or one and one-half per cent on three-sixths, — therefore five-sixths of the whole sum of our deposit is covered. Now, go with me to any city or town in this Commonwealth, and ask the assessors if the real and personal estate is taxed at five-sixths its fair cash value. No, sir. They will admit that it is not, although they are sworn to assess property at its fair cash value.

This is putting it upon the same plane with the property of wealthy men; but I want to present it in a little different view from that. You know a large number of parties are exempt from taxation. It looks very fine on your statute-books, very beneficent, very kind and considerate; but do you remember that nine-tenths of this very class of people who are intended to be exempted, make the Savings Banks the depositories of their money, and then you tax it at a higher rate than any other kind of property in the State?

Now, these are facts which I think gentlemen will admit, all round, can be substantiated. Then, sir, if the Savings Banks

are doubly taxed, and if, for the past few years, where they have derived a large amount of interest, they could pay the tax, and still return to their depositors a handsome sum, the time has come when these things have got to be considered, and fairly and justly considered. And why should this class of people, as a class, be wronged, simply to replenish the treasury of the Commonwealth? It should not be. The property of the Commonwealth should pay the taxes, and these Savings Banks should not be pounced upon, simply because they are the creatures of the State. Of course, if you make it one per cent, or one and a half per cent, they must submit to it; but that, of course, is not proper.

These are the general ideas that I wished to present. It is said that many of these depositors are capitalists. Why, sir, we have fourteen or fifteen thousand depositors. Upwards of seven thousand of them are citizens of Salem, or were when they made their first deposit, — nearly one-third part of our entire population, men, women and children. What proportion of them do you supppose are capitalists? A very large portion of them are of those classes, enumerated by Mr. Parker as persons exempt, and they pay equally with the capitalists, if we have capitalists. I do not understand the signification of the word fully. Different people would put a different construction upon it; but the poor, and the persons who are really exempt, are taxed equally with the capitalists, and they will continue to be, doubtless. They were not, ten years ago, as has been correctly stated, and I know of no way to remedy it, except by a re-enactment of that law. I defy any body of assessors to take our accounts and go through with them, and show that one-quarter part of our deposits are taxable under the general law. If not a quarter part can be taxed, why should you tax one half of the deposits at the average rate of taxation in the Commonwealth? There is an injustice in it, and it should be remedied.

The Chairman. The Governor says, in one part of his mes-

sage, referring to the very large increase of deposits during the past year, that it is very evident that a large share of this increase is not the savings of labor. Can you give any information, from your knowledge of the increase in your bank, which I see was quite large, one-fifth, twenty per cent, during that year, as to what proportion was the legitimate savings of labor?

Mr. Symonds. I think it is very evident the Governor has not given this matter careful consideration, or he would have come to a very different conclusion from what he has. I remember the time, Mr. Chairman, when a dollar, or a dollar and a quarter a day, was pretty good wages for a man; and if he had his health and steady employment, he might, perhaps, save his dime a day; and many a depositor who has money in our bank, has saved it in that way, and has been many, many years in accumulating his three, four, five or six hundred dollars. But now this is all changed, and, as you know, this class of people receive two, two and a half, three, and even four dollars a day, and where they could formerly save a dime, they can now save a dollar. That is the way this money has been accumulated. Then again, as has been stated here, a great many people who drew their money out of the Savings Banks, and invested it in government bonds, are now coming back. I cannot give you the exact figures. The general idea is, that it is the savings of labor.

Mr. Parker. Out of that large increase of your bank, on your best judgment, what proportion was the savings of labor, or came from the laboring class?

Mr. Symonds. From the laboring class, four-fifths of it, certainly. We have increased about half a million of dollars each year for the past four years.

The Chairman. Your returns show the amount of your deposits during the year to have been $900,315.00. What the committee wanted to know was, if you could tell them, from your knowledge, how much of that was the legitimate savings of labor during the year, and how much was an exchange of the

savings of labor, as represented by government bonds, into deposits in your bank?

Mr. Symonds. No, sir; I cannot go into any nice estimate. My general idea would be, that it is the savings of labor in the main.

Mr. Parker. You think about 80 per cent was the earnings of labor?

Mr. Symonds. Yes, sir.

Mr. Kimball. How many deposits have you up to the statute limit of a thousand dollars?

Mr. Symonds. I cannot tell. Our institution is a very old one. I heard it remarked by a gentleman, yesterday, that Savings Banks turn over their capital once in about three years. That does not agree with our experience, for among the first two thousand deposits, commencing fifty-two years ago, there were, a very short time ago, a hundred still open.

Mr. Kimball. You have some deposits up to the statute limit?

Mr. Symonds. Yes, sir; and some over.

Mr. Parker. Can you state anywhere near?

Mr. Symonds. No, sir; I would not wish to give the figures, because I have not got them in my mind. We pay interest on a thousand dollars only. There is great injustice done to those parties who are absent at sea, and cannot draw their dividends.

Mr. Kimball. How many deposits of a thousand dollars did you receive the past year?

Mr. Symonds. I could have told you very quickly, if I had anticipated the question.

Mr. Kimball. You have received some of that amount?

Mr. Symonds. Yes, sir. Out of 550 deposits one day, there was one of a thousand dollars.

Mr. Parker. When was that day?

Mr. Symonds. That was the last quarter day.

The Chairman. Was that from a citizen of this State?

Mr. Symonds. Yes, sir.

Mr. Parker. Have you any considerable number of depositors from out of the State?

Mr. Symonds. Not original depositors. None at all, I should say. We doubtless have a good many of the class spoken of by Mr. Eaton, from Lawrence.

Mr. Kimball. I find your deposits average $75.94. If they were the earnings of labor, deposited from time to time, there must have been a good many large deposits to make the average up to that amount. You had 11,855 deposits, amounting to nearly a million of dollars. That was the point I wanted to get at.

Mr. Symonds. If the gentlemen understood the operation of Savings Banks, and their method of working, they would comprehend it more fully. I mean if they were perfectly familiar with our method of doing business, there could not be any doubt arise in their minds in regard to these matters. We, perhaps, are different from some others. We receive money, and it goes on interest quarterly. Many other banks have it go on interest monthly. As a general thing, a large proportion of the depositors will retain their money and not deposit it, until towards quarter day, and of course it comes in larger sums than it otherwise would. It is not as if they came in every day or two with their two-and-three pence.

I will explain what I understand to be savings of labor.

I care not whether a man drives a pen, steam engine, or a handcart, — so that he is dependent upon his labor for his maintenance; he is a laborer, toiler if you please; they may be paid in greater or less amounts; if they can save anything over their expenses; this is the savings of labor, and four-fifths of the people who place their money in our hands, are of this class, and I assume that it is the savings of labor.

Mr. Kimball. I do not care when they came in, whether

the first or the last day. It still appears that the average of each individual deposit was $75.94.

Mr. SYMONDS. Very well, sir. That is correct.

Mr. PARKER. The answer Mr. Kimball wants to get is, whether this deposit, averaging $75.94, represents the savings of laboring men during the year?

Mr. SYMONDS. I do not know why it should not. They must have small pay if it does not.

Hon. ELIPHALET TRASK, of the Springfield Five Cents Savings Bank. I represent the Five Cents Savings Bank of Springfield. We have a little over $900,000 deposits. We have a litttle more than six per cent of that lent on real estate. We have about 2,300 depositors. We loan for seven per cent — no more, and no less. We have not made any loans for less than that, and we have not charged any more. We have only one salaried officer — the treasurer; and we think it would be hard work to make both ends meet by paying six per cent. If our deposits are taxed more than they are now, it will reduce the dividends just so much below six per cent.

Mr. Lee has some statistics with reference to the Springfield Institution of Savings, which will be of interest to you, and whatever is true of that bank is true of other banks. I think we do our business much in the same way.

The CHAIRMAN. When did you declare your last dividend?

Mr. TRASK. Last week.

The CHAIRMAN. What was the amount of your dividends for the last three years?

Mr. TRASK. We paid dividends of six per cent, and then declared an extra dividend of three per cent.

The CHAIRMAN. What surplus did that leave you?

Mr. TRASK. About five thousand dollars.

The CHAIRMAN. I see you have some bank stock. How did you take that stock — at par?

Mr. TRASK. We took it at the par value, except where we

paid a little more than the par value; then we put it in at what it cost. We have now about $120,000 of bank stock.

The CHAIRMAN. In estimating your surplus on hand, you do not calculate the amount of premium on your bank stock?

Mr. TRASK. No, sir.

The CHAIRMAN. Nor do you calculate the premium on any stock you have?

Mr. TRASK. No, sir. We take it as it stands upon the books.

Mr. HENRY S. LEE, treasurer of the Springfield Institution for Savings. We had 13,347 deposits. Of that number, 645 were between $500 and $1000; 624 between $300 and $500; 1,815 between $100 and $300; 2,709 between $50 and $100; 7,099 between $1 and $50; and 455 less than one dollar.

I want to state one fact, which it seems to me will account for the number of large deposits. During the year the 7-30s were issued, we paid out within six months, over half a million of dollars, which I am very confident was invested in bonds. That money was the accumulations of years. Now, these persons have sold their bonds, and put the money back into the bank in a lump. I think it is hardly fair to say, that because the money has come in in large amounts, it is not the accumulations of labor. I think that accounts for a great portion of the large amounts which have come in these last few years. People changed from 7-30s to 5-20s, and invested largely during those years, and now that the 5-20s are becoming less profitable, they are selling those, and putting the proceeds into the Savings Banks.

Mr. PARKER. From 1861 to 1865, the deposits were withdrawn?

Mr. LEE. Yes, sir. In 1861, it was owing to the war. In 1865, it was owing to the bonds. Now, as to this matter of deposits of over a thousand dollars; we paid to an Irishman the day before I came here, $1,060. He commenced with five

dollars. He took it out because he wanted to invest it in real estate. We have some deposits of a thousand dollars; but how has it accumulated? It is the accumulations of labor, not the investments of capitalists. I returned twelve or fifteen that we would call capitalists; they are rich men.

We have half a million of dollars coming from out of the State. That does not take into account amounts of less than $500. We think that is all clear gain to Springfield, because we have built up the place with it.

If you increase this tax, you will make trouble, not only with the depositors, but with the borrowers. Our borrowers are men of small means, and I reckon we should hear from them. We should have to put up the rate of interest on our loans, so that they would have to pay seven per cent, or else reduce our dividends so as to drive away the depositors, and call in the small loans. We could not help it. It is just as bad one way as the other. As the matter now stands, we cannot tell depositors what we shall pay. We tell them, "We expect to pay six per cent, if the legislature lets us alone. If they put up the rate of taxation to one per cent, we cannot do it." The matter of paying interest will regulate itself. The legislature can drive us back to five per cent if it chooses, and then we shall lose our deposits.

Mr. PARKER. What is the total amount of deposits in your bank?

Mr. LEE. Four and a quarter millions.

Mr. EPHRAIM HUNT, president of the Reading Savings Bank. I wish to take a few moments of the time of the committee to speak for the interests of the small banks — of the thousands instead of the millions.

With reference to the taxation of Savings Banks, it seems to me that it should be considered, that it is very difficult to tax capital; proverbially difficult. But the money deposited in Savings Banks pays its tax more nearly than the money in any

other institution. It seems to me it is perfectly legitimate for the small country banks to come here and ask to be relieved from this tax, in a great measure, whose officers work without pay, and board themselves, as the saying is.

The point to which I wish to call attention is this: I think what is most grievous in this case is, that if the charges are substantiated which have been made by His Excellency, there seems to be a desire to diminish the number of Savings Banks. At the present time, the country banks cannot afford to pay one per cent so well as the city banks, with a larger capital. This is a point which seems to me to be legitimately in the line of discussion, and to this point I wish to call special attention. The statutes, as we have heard, exempt certain parties from taxation. Those classes can be legitimately exempted still, it seems to me. Suppose we we have a sliding scale of taxation. Suppose that a tax be laid upon banks whose deposits have reached $250,000, or a quarter of a million. They can then pay their expenses better than the smaller institutions, and pay the tax too, if the State chooses to lay a tax. But let these smaller country banks be exempted up to a certain sum, as you may, in your wisdom determine — $250,000, or half a million. The way it works now is very detrimental to the country and city both. I maintain that the interest of the city is the interest of the country. The country cannot suffer without the city's suffering. That, you know, is an old argument.

Now, we have, in the immediate vicinity of Boston, — it is so, at least, in two or three of the towns, — these larger banks, who object to paying the one per cent, or three-quarters even. They make larger dividends, but they do not discharge, as the small banks do, the legitimate functions of Savings Banks, as I have been informed. That is, they do not accommodate small borrowers, as the country banks do, which are created in the interest of the small borrowers. No matter about heavy depositors. If the heavy depositors loan their money, it seems to me

that is a positive gain. But the trouble is, the capital of the adjoining towns ought to be kept there. We have none too many savings banks in the country. We want, it seems to me, to secure a just taxation, a discrimination in the amount of tax laid upon the several banks. I do not expect the millions represented by other banks will agree to that fully; but it seems to me, that by exempting the smaller institutions, you will carry out the idea of the statute, and exempt that very class from taxation that was designed to be exempted.

The CHAIRMAN. Can Mr. Evans answer some of the questions which have been asked here in reference to some of the interior banks? Can you tell how many deposits you had last year up to the statute limit?

Mr. EVANS. I am unable to state.

The CHAIRMAN. You had a considerable number?

Mr. EVANS. Not a very large number; we had a considerable number.

The CHAIRMAN. Have you any considerable number of depositors from out of the State?

Mr. EVANS. Very few.

The CHAIRMAN. Are they mostly in large sums — nearly up to the statute limit?

Mr. EVANS. They are from $300 to $800, or $900.

The CHAIRMAN. When did you declare your last extra dividend?

Mr. EVANS. A year ago last April.

Mr. CHAIRMAN. That was three per cent per annum for five years?

Mr. EVANS. Yes, sir,

Mr. CHAIRMAN. I see you return a surplus of $130,755. Of what is that made up?

Mr. EVANS. That is the earnings above the payment of dividends since the extra dividend was declared.

The CHAIRMAN. Is it simply in cash, or does it represent the premium upon any part of the stock or bonds you hold?

Mr. EVANS. No, sir; it does not represent any part of the premium.

The CHAIRMAN. Then the reduction of your bonds and stocks to cash, by sale, would increase that surplus fund, would it?

Mr. EVANS. Yes, sir. Our bonds and our bank stock are all put down at par, with one exception. The stock of one bank, I think, is put down at cost, some two or three per cent advance.

The CHAIRMAN. What rate of interest do you charge?

Mr. EVANS. Seven per cent.

The CHAIRMAN. No more in any instance?

Mr. EVANS. No, sir.

The CHAIRMAN. Do you discount that interest in making the loans?

Mr. EVANS. No, sir; we do not. We take it out at the end of the time.

Mr. PARKER. What is the total at your bank?

Mr. EVANS. $9,200,000.

Mr. PARKER. You are the second bank in the State?

Mr. EVANS. Yes, sir.

The CHAIRMAN. You have never charged more than seven per cent?

Mr. EVANS. We have not for three or four years.

Mr. KIMBALL. I do not know as I grasp this matter about stocks. You estimate your stocks, etc., in your assets, at par?

Mr. EVANS. At par.

Mr. KIMBALL. Then, if you have some bank and railroad stocks that are worth forty or fifty per cent above par, — the First National, for instance, worth 170, — we get no show of that extra surplus?

Mr. EVANS. No, sir; we do not count that as surplus.

Mr. KIMBALL. You do not estimate that a surplus until it is realized?

Mr. EVANS. No, sir.

Mr. Kimball. If you were to take an inventory, in the ordinary way, of the value of your assets, it would exceed the amount of your surplus?

Mr. Evans. Yes, sir; if you took it in that form.

The Chairman. Among the other statistics that have been collected, has it been ascertained by the banks what amount was paid out last year as extra dividends? We have not ascertained that, and I think the commissioner has not.

Mr. Parker. Any statistics that the committee may think it desirable to have, the banks will furnish. I don't think the banks, during the last year, have earned anything above six per cent, net. They are paying out of their reserves.

Mr. Kimball. Mr. Evans, you hold your railroad securities charged at par. Of course, very many of your securities were bought at par; but you have some bank stocks for which you paid 110 or 120. What do you do with that premium that you paid?

Mr. Evans. We charge that to profit and loss. If we buy stock for $104, we carry the four dollars to profit and loss; and if we buy for $96, we carry four dollars to profit and loss, or expense account, instead of profit and loss. That would make a different position in reference to our return.

Mr. Kimball. Mr. Parker, one thing occurs to me in connection with this matter. I find, for instance, that the dividends last year were 9^9 per cent; that is, the regular annual dividends. Now, some banks every three or five years make extra dividends. Do those extra dividends come from this surplus that is reported here?

Mr. Evans. Yes, sir.

Mr. Kimball. And yet most of you report a very large surplus, as a reserved fund?

Mr. Evans. I do not know what the custom of other banks is. We made our last extra dividend in April, 1869. After paying the extra dividend, we had a reserve of about $10,000.

Mr. Holmes. By this report, which I have received this morning, I find that the payment of extra dividends is rapidly going out of custom. Of the banks that are reported this year in the Commonwealth, sixty have ceased to make extra dividends, and divide semi-annually; there are forty-nine that make extra dividends once in five years, and seventeen once in three years. You see that nearly half of the whole number have adopted the system of dividing their earnings semi-annually.

I have been asked to state, that some few months ago, there was a strike in the mills at Fall River, and the help did not go into the mills for some two months. Of course, during the earlier part of the two months, as they were expecting to go in daily, very little was drawn from the bank; yet during the two months that they were out of the mills, one-fifteenth of my entire deposits were withdrawn.

I wish to bring before the Committee this view of it. It is the help who deposit their earnings in the bank. When they leave one mill and go to another place to work, they come and draw it out and deposit it in another bank. They draw out $500 from an institution here, and deposit it in Lowell, and it appears there as $500; they draw it out of the bank in Lowell and deposit it in Fall River, and it appears there again as $500. But that $500 represents the savings of years, and is all the depositor has in the world.

Mr. Parker. Will you be good enough to state to the committee what you stated to me in regard to the amount saved by some French Canadians in Fall River?

Mr. Holmes. At one time, we had a large number of French Canadians come to Fall River to work in the mills. They were accustomed to live differently from our own people, on very small earnings, in their own country. They became depositors in the Savings Bank at Fall River, and in several cases, where they were not in the city more than two years, they accumulated, and drew out from the bank of which I am treasurer, from

$1,500 to $2,000, went back to Canada and bought farms, and live there on the money that they earned in Massachusetts during this period.

Mr. PARKER. Those, I understand you, were persons who worked with their hands?

Mr. HOLMES. They were day laborers, who worked in the mills. Looking over one or two pages of my deposit book, I found that out of 150 deposits that were made in three days, there were less than thirty of twenty dollars and upwards, leaving 130 out of the 150 that were less than twenty dollars. But if they deposit twenty dollars each month, it will soon amount to a considerable sum. You can see that twenty dollars a month will amount to $240 in a year. They do not draw out their dividends; they let them remain. The first year of my connection with the bank, I made a withdrawal book, and from the whole list there were but six people who drew out any dividends. Now, with these $133,000,000 on deposit, getting six per cent interest, you see the dividends amount to between seven and eight millions annually — the natural increase of the deposit itself. Of course, there is a large part drawn out, but there is a very large part that remains.

Mr. PARKER. Then I understand you, that you do not agree with the Governor in his message, that it is necessarily the money of capitalists.

Mr. HOLMES. By no manner of means. I suppose no man who has looked into it has any such idea. It represents the earnings of labor. An instance occurred last week. A family consisting of the father, mother, and two children, had in the bank some $1,800. They bought a house, costing $2,400. They drew out their money, and mortgaged the house to the bank to get a homestead, which they own, and on which the city is now deriving a tax.

Mr. PARKER. Were those people French Canadians?

Mr. HOLMES. No, sir; they are of Scotch descent.

Mr. PARKER. They are foreigners?

Mr. HOLMES. Yes, sir.

Mr. PARKER. If there had not been some bank that they could put that money in, what could they have done with it?

Mr. HOLMES. They would not have known what to do with it. I will state, in illustration, that in 1857, a woman came into the bank and drew out $300 in gold. She went out in front of the bank with it in her apron. She did not know what to do with it, and walked up and down in front of the bank for half an hour, not knowing what she could do with her money. She subsequently lost half of it by lending it to a relative of hers, an uncle, I believe.

Mr. KIMBALL. I suppose the whole trouble is in the Governor's unfortunate use of the word "capitalist." The question would be, "What is a capitalist?" I take it, a party who has any money apart from his regular business occupation, and apart from persons who have very small earnings, that they want to take care of, is a capitalist, substantially. For instance, Mr. Lee speaks of a man who has acquired capital, and has some money to invest. It is rather an obnoxious word to use, and it is difficult to tell exactly where to draw the line. The question is, whether the Governor did not mean a man who has capital to invest for a special purpose, to secure the accumulations from the money.

Mr. PARKER. I think you are wholly right as to that. But I think that the word "capitalists" is used in connection with the controversy between labor and capital, and it has therefore become an odious word. The Governor did not mean a man who earns his money by the labor of his hands, but a man who lives on what he has accumulated and employs labor. Take the case mentioned at Fall River, where a Scotchman comes along with his wife and family, and they together save $1,800 by working in the mill. That $1,800 is no doubt capital, but the man is a day laborer, his wife is a laborer, and his children are laborers.

Now, the Governor's expression would convey a very incorrect meaning if it was intended to cover those who drudge as that family did.

Mr. Kimball. You don't suppose it was intended to mean such persons?

Mr. Parker. I suppose it was meant to convey the impression, and that the Governor honestly believes, that those people who put in $500, and upwards, were rich men, who employ laborers, and not men like those to which reference has been made; and there I think he was wholly incorrect.

Mr. Kimball I would like to know whether this amount of surplus funds, which I see is two and a half millions, is reported among the taxable funds of the banks?

Mr. Evans. It is not.

Mr. Adams. It is with us — every dollar of it. We return our deposits, which covers the whole thing, and every dollar of it is taxed. We return all we have, — everything which our securities represent. — the gross amount.

Mr. Evans. I think the gentleman misunderstands. I think he makes the same kind of return that we do. In making our return to the State, we give the average amount of deposits for the six months preceding the time of making it. That does not carry the amount of surplus which is earned and invested in stocks.

Mr. Adams. I must confess I make my return in a very different manner. It covers the whole thing.

Mr. Holmes. I make mine as I think the return calls for. I think the gentleman must be mistaken about the manner in which he makes his return. Although this two millions may seem a very large sum, yet it is one which is changing continually. For instance, when five years ago, the time came for one of the Boston banks to divide their surplus earnings, a million dollars — one half of the whole sum you have there — were divided.

Mr. Kimball. The question would be, whether this return was made from the deposit account or the investment account.

Mr. Holmes. I want to state one fact. Massachusetts now has a larger amount in her Savings Banks than any State in the Union, except New York.

The Savings Banks in that State are not taxed at all. The matter has been investigated by several legislatures, and reports have been made by committees who have examined the subject, and they have invariably reported that it was not wise, prudent or statesmanlike to impose a tax upon this description of property. I have a very able report from the bank commissioner of that State to the legislature on the subject, which I would like to leave with the committee. The whole matter is very fully considered, and he comes to the conclusion that they should not be taxed at all, and the legislature have followed his recommendation.

The Chairman. Do you think any injury has resulted from the tax in this State?

Mr. Holmes. I do not. But I think there is a limit beyond which the tax should not go. I think Massachusetts is going too far the other way. She has heretofore followed a mean which was judicious both for herself and for the banks.

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